

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held on August 3, 2018

An Open Meeting of the Public Utilities Commission (PUC or Commission) was held on Friday, August 3, 2018 @ 10:00 A.M. in Hearing Room A, 89 Jefferson Boulevard, Warwick, Rhode Island to discuss, deliberate and/or vote on the following dockets.

Present: Chairperson Margaret Curran, Commissioner Marion Gold, Commissioner Abigail Anthony, Cynthia Wilson-Frias, Alan Nault, Todd Bianco and Luly Massaro.

Chairperson Curran called the Open Meeting to order at 10:00 A.M. in the first-floor hearing room of the Public Utilities Commission (Commission). A quorum was present.

Docket No. 4770 & Docket No. 4780 – The Narragansett Electric Co. d/b/a National Grid – The PUC reviewed the Settlement Agreement with regards to the Company’s Application for Approval of a Change in Electric and Gas Base Distribution Rates and the Company’s proposed Power Sector Transformation (PST) Vision and Implementation Plan (PST Plan). The following issues were deliberated and ruled upon:

Settlement Agreement

It is moved that the Settlement be approved without modification. Chairman Curran opposed the motion to approve the Settlement without modification. Commissioner Gold seconded the motion to oppose and the motion was unanimously passed. **Vote 3-0.**

Having opposed approval of the Settlement without modification, the PUC proceeded to proposed modifications to the Settlement on the following issues.

Earning Sharing Mechanisms

Commissioner Anthony moved that in the absence of a just result and until the Company proposes a just and reasonable design, earnings sharing should start at the allowed return on equity for the electric company and maintain the current sharing design: 50/50 sharing for base earnings between the allowed ROE and allowed ROE plus 100 basis points and 75/25 sharing beyond 100 basis points. Company should report on all actual earnings. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Commissioner Gold moved to amend the motion to remove Sharing Threshold definition in electric. Commissioner Anthony seconded the amended motion and the motion was unanimously passed. **Vote 3-0.**

Electric (Settlement p. 30, paragraph (e)) is amended:

Earnings Sharing with Customers. If and when the Narragansett Electric Base Earnings exceed 9.275 percent in any Rate Year, the amount in excess of 9.275 percent will be deemed “shared earnings.”

- If the level of earnings is greater than 9.275 percent but is less than or equal to 10.275 percent, 50 percent of the shared earnings in this tier shall be credited to customers and the Company shall retain 50 percent of the shared earnings, which shall not be reflected in any earnings reports.
- If the level of earned ROE is greater than 10.275 percent, 75 percent of the shared earnings in this tier shall be credited to customers and the Company shall retain 25 percent of the shared earnings which shall not be reflected in any earnings report.

Commissioner Anthony moved that to maintain consistency, earning sharing should begin at the allowed ROE and maintain the current sharing design: 50/50 sharing for base earnings over the allowed ROE up to 100 basis points over the allowed ROE and 75/25 sharing beyond 100 basis points. The Company should report on all actual earnings. The motion was seconded by Commissioner Gold and unanimously passed. **Vote 3-0.**

Gas (Settlement pp. 39-40, paragraph (c)) is amended:

Earnings Sharing with Customers. If and when the Narragansett Gas Base Earnings exceed 9.275 percent in any Rate Year, the amount in excess of 9.275 percent will be deemed “shared earnings.”

- If the level of earnings is greater than 9.275 percent but is less than or equal to 10.275 percent, 50 percent of the shared earnings in this tier shall be credited to customers and the Company shall retain 50 percent of the shared earnings, which shall not be reflected in any earnings reports.
- If the level of earned ROE is greater than 10.275 percent, 75 percent of the shared earnings in this tier shall be credited to customers and the Company shall retain 25 percent of the shared earnings which shall not be reflected in any earnings report.

Annual Filings

Commissioner Gold moved to amend Page 17 of Settlement, second to the last paragraph to change “no earlier than 45 days prior to September 1, 2019 and September 1, 2020” to “on or before June 1 of each year of the Rate Plan” and to add the following after the word “Agreement” and before the word “unless”: “together with testimony and supporting schedules explaining and itemizing the change in revenue requirement from the prior September 1 through the upcoming September 1 to allow for a more complete review of the proposed rates. Commissioner Anthony seconded the motion and the motion was unanimously passed. **Vote 3-0.**

The Amended paragraph should read:

Narragansett Electric shall submit, on or before June 1 of each year of the Rate Plan, its Summary of Retail Delivery rates tariff updating this tariff to reflect the base distribution rates approved by the PUC as part of this Settlement Agreement, together with testimony and supporting schedules explaining and itemizing the change in revenue requirement from the prior September 1 through the upcoming September 1, unless otherwise changed pursuant to a separate proceeding before the PUC consistent with Sections 8, 15, and/or 16.

1. First change is to increase the filing date from 30-45 days up to 90 days prior to the effective date
2. Second change is to get additional information to reflect the fact that there will have been a minimum of 4 distribution rate changes between September 1, 2018 and September 1, 2019. Therefore, unlike on the gas side, the PUC does not know what the ultimate distribution increase or resulting rate will be each September. Staff needs this information to determine if the proposed September 1st increase ties back to an approved Settlement.

Carrying Charges

Commissioner Anthony moved that PUC direct the Company to amend the Settlement to apply Weighted Average Cost of Capital (WACC) on capital investments and Customer Deposit Rate or Bank of America prime minus 2 on O&M and to add carrying charge to the Special Sector deferrals. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Renewable Energy Growth Cost Recovery

Commissioner Anthony moved to retain the status quo to keep Renewable Energy Growth incremental costs over its 2018 revenue requirement within the Renewable Energy Growth recovery factors and not move into the base rates. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Charitable Contributions

Referencing page 87 of Settlement, Chairman Curran moved to not permit the Company to include allowance in base distribution rates for charitable expenses. Continuation of allowing charitable contributions has been based on Supreme Court decisions. Situation has changed – Court found ok to allow utility to use ratepayer funding for charitable contributions was based in significant part on situation in other jurisdictions. At time of those rulings, it appeared majority of jurisdictions did allow the regulated utility to charge ratepayers for such contributions. That has changed – the majority is no longer in favor of that. Significant testimony and questions at the hearings in MA and NY where such donations are appropriately charged to Shareholders. Shareholder and Company benefit and not ratepayer benefit. Solid foundation in that will follow majority rule. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Low Income Reporting

Commissioner Anthony moved that the PUC direct the Company, Division and George Wiley Center to work with PUC Staff to consolidate and develop a set of reporting requirements for existing and new electric and natural gas low-income rates, programs, and discounts upon conclusion of this docket. The reporting requirements should inform how low income rates, programs, and discounts advance the Rate Design Principles in the Docket 4600 Guidance Document, including the information that will be needed to support future investigation into more dynamic low income rate design. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Power Sector Transformation (PST) Advisory Group

Commissioner Anthony moved to direct the PST Advisory Group to participate in quarterly technical sessions with the PUC. The Commission and all Advisory Group members should have the opportunity to provide input on agendas. The Commission will expect to hear from subcommittees at the technical sessions. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Cost Allocation of PST Costs

Commissioner Anthony moved to accept the proposed allocation of PST costs. In the future, all proposed costs should be included in the ACOSS. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Cost Recovery for Performance Incentive Mechanisms Awards

Commissioner Anthony moved to direct Company to recover the costs of any approved performance incentives earned for achieving the targets through a new reconciling factor. The new factor should be calculated in accordance with the Allocated Cost of Service Study (ACOSS) used in this docket. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Information Service (IS) Cap

Commissioner Anthony moved to direct the Company to amend section 13.c of the settlement to reflect that in no case will the deferral of the regulatory asset for Cybersecurity and Information Services Technology Modernization Programs result in recovery of a total cost in excess of the Company's forecasted allocated cost for these programs. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

The amended portion of paragraph c (pages 44-45 of Settlement) is: To the extent the Company incurs costs in excess of the Narragansett Electric and Narragansett Gas revenue requirement allowances included in base distribution rates for the items described in Section 13.b above, the Company shall create a regulatory asset to defer that amount, but in no case will the deferral of the regulatory asset result in recovery of a total cost in excess of the Company's forecasted allocated cost of \$17.4 million (\$5.1 million for Narragansett Gas and \$12.3 million for Narragansett Electric).

Reporting for Gas Business Enablement (GBE) and Information Service (IS)

Commissioner Anthony moved that the GBE Report and the IT Technology Modernization Programs will include the current status of the deferral position. The report should include an update on the deferral balance and include at a minimum, the increase, decrease, and ending balance. Chairperson Curran seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Charging Demonstration

Commissioner Anthony moved to disallow funding for utility ownership of Level 2 and DCFC charging stations. The Commission will consider re-evaluating utility ownership at the end of Rate Year 1 if there is evidence of unmet need. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Demand Charge Discount

Commissioner Anthony moved to allow funding of a 100% discount for participants who enroll in year one but require the Company to file a proposed discount for years 2 and 3 prior to the start of the program year based on enrollment data and lessons learned. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Amended last sentence of paragraph iii on page 57 of Settlement is: The discount for participants who enroll in Rate Year 1 will be equal to 100% of the distribution demand charge for a period of three years from the start of service. Sixty days prior to enrollment for Rate Year 2 and Rate Year 3, the Company shall make as part of the first Electric Transportation Evaluation and Annual Program Modification report, with input from the Power Sector Transformation Advisory Group on the appropriate level of the discount based on enrollment data and lessons learned for approval by the PUC. The results of the pilot and any proposed Direct Current Fast Charge (DCFC) demand charges or rebates will be reviewed as part of the next multi-year rate plan.

Electric Transportation Initiative Evaluation

Commissioner Anthony moved that the evaluation should include, at a minimum, charging station location, category (as shown on page 54 of the settlement), in-service date, and utilization; effectiveness of demand charge discount, and free-ridership and spillover effects; learnings on how the company can integrate EVs with minimal impacts on the cost of the distribution system, including an understanding of the effectiveness of the off-peak charging pilot; evaluation of the effectiveness of each component of the initiative in stimulating consumer adoption of electric vehicles, including an understanding of the effectiveness of the type and level of the incentive; results of fleet advisory services, including how many fleet vehicles were converted to electric vehicles at the end of each rate year and at the end of the rate plan; incremental effect of the CO2 electric vehicle (EV) performance incentive mechanism (PIM), including the level of EV adoption that is attributable to the strategic behavior the PIM will promote and the level of EV adoption that would have occurred without the PIM; evaluation of the Company's impact on fleet EV adoption. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Electric Heat Initiative

Commissioner Anthony moved to disallow funding for the Electric Heat Initiative. The Commission expects that the heat pump rebates proposed in this docket will be funded through the company's energy efficiency program because the Commission has already approved this well-designed and cost-effective program in Docket No. 4755. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Strategic Electrification Marketing Fund

Commissioner Anthony moved to disallow funding for EV Education and Outreach and Oil Dealer Training and Support in the Strategic Electrification Marketing Fund and allow funding for Off-Peak Marketing. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Storage

Commissioner Anthony moved to direct the Company to file each draft Request for Proposal (RFP) no less than 30 days before issuance to allow the Commission to understand the barriers the demonstration is designed to overcome and the desired learnings. The Company will prepare a cost benefit analysis using the Docket 4600 Framework when the pilot concludes. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Capital Efficiency Metric for Narragansett Electric

Commissioner Anthony moved to reject the Capital Efficiency Mechanism from the Settlement and open a docket pursuant to R.I. Gen. Laws § 39-1-27.7.1(e)(3) to investigate adopting this mechanism as a performance metric in the FY2020 Electric Infrastructure, Safety, and Reliability Plan. Chairperson Curran seconded the motion and the motion was unanimously passed. **Vote 3-0.**

PIMS Awards Based on Unquantified Benefits

Commissioner Anthony moved that Commission disallow funding of incentives associated with unquantified benefits. However, unquantified benefits are important and there is merit in rewarding the Company for advancing them. Direct the PST Advisory Group to develop transparent and well-defined metrics for describing unquantified benefits and providing evidence that unquantified benefits are advancing. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

System Efficiency Metric

Commissioner Anthony moved to allow funding for the system efficiency metric without additional basis point for unquantified benefits and require reporting that utilizes the Docket 4600 Framework to demonstrate the cost and benefit impacts of the metric on the energy system, customers, and society. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

CO2 Electric Vehicle PIM

Commissioner Anthony moved to disallow funding for the CO2 Electric Vehicle PIM and direct the Company to track the PIM. The Commission will reevaluate whether to allow a financial incentive to be tied to this metric prior to Rate Year 2. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Fleet Electrification PIM

Commissioner Anthony moved to disallow funding for the fleet electrification PIM and direct the Company to track light duty government and commercial fleet adoption numbers and rates in Rhode Island. The Commission will reevaluate whether to allow a financial incentive to be tied to this metric prior to Rate Year 2 if the Company demonstrates how this incentive is consistent with Commission policy for performance metrics. Chairperson Curran seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Installed Energy Storage Capacity PIM

Commissioner Anthony moved to disallow funding for the installed energy storage capacity incentive mechanism. Direct the Company to track installed energy capacity. Incremental Energy Storage Capacity should be an eligible resource for the Company to earn the Capital and System Efficiency incentive mechanisms. Chairperson Curran seconded the motion and the motion was unanimously passed. **Vote 3-0.**

CO2 Electric Heat PIM

Commissioner Anthony moved that the Commission disallow funding for the electric heat performance incentive mechanism. The Company may propose a performance incentive designed to reward reductions in carbon dioxide emissions in the energy efficiency program plan. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Activated Apartments and Disadvantaged Electric Vehicle Supply Equipment PIM

Commissioner Anthony moved that the Commission disallow funding for the activated apartment buildings and disadvantaged community metric and direct the Company to track the in-service date for make-ready work and charging stations installed in these categories. The Commission will reevaluate whether to allow a financial incentive to be tied to this metric at the end of Rate Year 2 if the Company demonstrates unmet need in these sectors. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Time to Interconnection Service Agreement PIM

Commissioner Anthony moved to deny funding for this metric and direct the Company to track this metric. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Grid Modernization and Advanced Metering Functionality (AMF) Study

Commissioner Anthony moved to allow funding in RY 1 for the system data portal, GIS IS, GIS Data Enhancement and the AMF Study. Disallow funding in RY 1 for Line 28, Attachment 1, page 2 “all other grid modernization (excluding DSCADA, GIS, System Data Portal, Feeder Monitoring).” The Commission will consider the forthcoming long-range grid modernization plan and AMF Study in conjunction. The grid modernization plan should reflect a time period that encompasses the end of any proposed AMF implementation. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

The grid modernization plan should include, but not be limited:

1. Objectives for the electric grid to advance the Goals for the Energy System and Rate Design Principles, and potential visibility requirements of the benefit-cost framework in Docket 4600 Guidance Document.
2. Explains the role of currently active programs.
3. Includes investments and technology deployments planned through the end of any proposed AMF implementation.
4. Functionalities to achieve those objectives

5. Review of options for candidate technologies to deliver those functionalities
6. Transparent, updated benefit cost analysis that fully incorporates the Docket 4600 framework.
7. Implementation plan that provides a detailed explanation of the prioritization, sequencing, and pace of investments.
8. Plan and explanation for the integration and leveraging of customer-side technologies and resources in the near and long-term.
9. Identification of the possible communications solutions that address current and future needs and support a wide array of potential grid modernization programs and activities.
10. Explanation of congruency with New York and Massachusetts.
11. Plan and explanation of how the selected investments and implementation plan address risks of redundancy or obsolescence.

The AMF Plan should include the elements identified on page 51 of the settlement. In addition, the AMF plan and business case should include the following:

1. Updated costs for AMF deployment based on information gained from a procurement effort (Nouel, June 18, 36).
2. Transparent, updated benefit cost analysis that fully incorporates the Docket 4600 framework.
3. Investigation of alternative business models and ownership models (Nouel, June 18, 36).
4. Analysis of data latency (Nouel, June 18, 36).
5. Deployment details (Nouel, June 18, 36).
6. Role of non-regulated power producers, articles to share customer information, customer engagement (Nouel, June 18, 40).
7. Ownership model for assets and telecom (Nouel, June 18, 40-41).
8. Detail of AMF functionalities; how Rhode Island will achieve those functionalities, and when the functionalities will be available (Nouel, June 18, 50-51).
9. Identification of the most cost effective way to achieve the functionalities, and how the functionalities align to the policy objectives (Leana, June 18, 52).
10. Explanation of whether the realization of those functionalities will require additional future work and costs over 20 years (Leana, June 18, 52).
11. Identification of what functionalities the AMF will achieve that are part of the grid modernization plan and which are in addition to the grid modernization plan (Nouel, June 18, 112).
12. Identification of which functionalities are dependent on full-scale roll out instead of a targeted roll out (Leana, June 18, 113).
13. Business case based on Rhode Island-only scenarios and Rhode Island + New York scenarios (Leana, June 18, 119).
14. Business case based on the length (duration) of meter deployment (Leana, June 18, 119).

15. Identification of the critically linked parts of grid modernization and AMF (Leana, June 18, 120).
16. Identification of whether the AMF solution would allow for proper net metering according to the tariff (Leana, June 18, 133).

Commissioner Gold moved to amend the motion to add to the grid modernization a key functionality: it is essential that the grid modernization work, in particular the distribution planning components, address the relationship between electrification of heating and transportation and efficiency. The grid has capacity for electrification at the right time and place. Efficiency can reduce peak demand and create space for electrification but the utility must include energy efficiency and opportunities for Demand Side Management with Electric Vehicles and Electric Heating in distribution level planning. Commissioner Anthony seconded the motion. The amended motion was unanimously passed. **Vote 3-0.**

Revised Excess Deferred Taxes True-Up

Commissioner Anthony moved to approve the revised language provided in Response to Record Request 30 for inclusion in the amended settlement. Chairperson Curran seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Commissioner Anthony moved to approve the Settlement Agreement as modified by the Commission at this Open Meeting. Commissioner Gold seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Commissioner Anthony moved to adjourn the Open Meeting. Commissioner Gold seconded the motion and the motion unanimously passed. **Vote 3-0.**

The Open Meeting at 1:33 P.M. A web video of the Open Meeting discussion can be accessed at <http://www.ustream.tv/channel/WqQyXw296dg>.